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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

22 October 1985

MEMORANDUM FOR: (See Distribution List)

FROM: [REDACTED] Chief
 25X1 International Security Issues Division

SUBJECT: Chinese Military Equipment Sales to
 ASEAN States [REDACTED]

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1. The attached memorandum analyzes the scope of and prospects for increasing military ties between China and several ASEAN states. We believe that the cooperation in supplying the Cambodian resistance and ASEAN arms purchases from China which began after Vietnam's invasion of Cambodia will expand moderately, and the ground could be laid for purchase of major end items in the long run. [REDACTED]

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2. Your comments and suggestions on this memorandum are welcome and may be addressed to the Chief, Arms Transfers Branch, Office of Global Issues, [REDACTED]

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Attachment:

Chinese Military Equipment Sales
to ASEAN States [REDACTED]

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GI M 85-10288, 22 October 1985, [REDACTED]

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Subject: Chinese Military Equipment Sales to ASEAN States [redacted]

DDI/OGI/ISID/AT [redacted] (22 Oct 85)

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GI M 85-10288

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

22 October 1985

Chinese Military Equipment Sales to ASEAN States

Summary

China is emerging as a source of military equipment to several ASEAN countries. Tight ASEAN budgets make low cost Chinese arms attractive, and ASEAN fears of China have lessened somewhat as Beijing has persisted in its more pragmatic foreign policy. These arms relationships are likely, in our view, to expand modestly in the next few years, assuming continuing mutual opposition to Vietnam's military presence in Cambodia. In the long run, Beijing's efforts to market major items such as tanks and fighter aircraft in the region may even have some success. We believe the United States largely benefits from the ASEAN states' cautious ties to Beijing, because they help both to reduce ASEAN distrust of US cooperation with China and to keep Vietnam and the USSR isolated.

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This memorandum was prepared by [redacted] International Security Issues Division, Office of Global Issues. Information available as of October 18, 1985 has been used in its preparation. Comments may be directed to Chief, Arms Transfers Branch, [redacted]

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Chinese Military Equipment Sales to ASEAN States

Vietnam's invasion of Cambodia in 1978 provided the principle catalyst for Chinese military sales to several ASEAN states. All of the ASEAN states saw Hanoi as the main immediate threat and became more receptive to cooperation with China in opposing Hanoi. Meanwhile, China's increasingly pragmatic foreign policy in the late 1970s and 1980s, which emphasized the Soviet threat to Asia, also reduced the ASEAN states' concern over Beijing's short term intentions in the reion. [redacted]

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[redacted] The low price of Chinese arms also attracted ASEAN states because of their tight military budgets. Beijing, for its part, sought to develop a hard currency market for arms exports and shore up regional defenses against Hanoi. [redacted]

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Bilateral Arms Deals

Thailand, which has cooperated most closely with China in opposing Vietnam, has received the most arms:

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- [redacted] Thailand's first purchase from China was \$1 million worth of land mines and RPG-2 rocket launchers in 1980. Bangkok used the weapons to bolster its defenses on the Cambodian border.

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- [redacted] indicate that in 1983 Bangkok bought a small number of rifles and RPG-2s, along with the right to produce them under license.

- Last February Bangkok bought \$10 million worth of 5.56mm ammunition, according to attache reports. Beijing's willingness to sell the Western caliber ammunition at a low price reportedly closed the deal.

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- [redacted] Beijing gave Bangkok 18 130mm guns with ammunition and additional small arms and rockets this spring to help the Thais defend the Cambodian border. Beijing probably also hoped to encourage future arms purchases by making this gift.

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- [redacted] Thailand continues to work with China closely in supplying the Cambodian resistance. We estimate Beijing ha provided over \$150 million in arms to the resistance, while Bangkok continues to control distribution. [redacted]

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Indonesia began to purchase military equipment from China in 1980 as it sought gradually to restore political ties broken in the late 1960s by Beijing's efforts to subvert the Sukarno government.

- Jakarta's first purchase from China since 1958 was a fire control radar worth \$16 million, [redacted]

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- Indonesia bought 150 PT-76 engines for \$4.5 million last summer and was negotiating for an additional 150 last fall, [redacted] Jakarta has also purchased a small number of armored vehicle tracks and tank wheels.

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Jakarta has limited its purchases out of deference to anti-Chinese sentiment among the populace and military, and has tried to keep the deals secret by working through Hong Kong middlemen, [redacted] The decision to buy even a few items, however, represents a significant shift in Indonesia's attitude toward China. [redacted]

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Malaysia may have decided recently to buy Chinese munitions for its armed forces. Negotiations are reportedly underway [redacted] to meet part of Kuala Lumpur's requirement for a large quantity of NATO-standard munitions. We believe that Malaysia's tight military budget--which has curtailed planned force expansions--helped prompt the negotiations. [redacted]

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Singapore has not yet developed a bilateral arms relationship with Beijing. However, Singapore may covertly buy some of the AK-47s and other arms it provides the non-Communist Cambodian resistance from China through Hong Kong middlemen, [redacted]

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[redacted] If Singapore is buying Chinese arms for the resistance, it probably is attracted, in our view, by their low cost. [redacted]

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Outlook

We expect Chinese military sales to ASEAN countries to continue to expand in the next few years, as long as Beijing maintains its moderation in foreign policy and as long as the common ASEAN-Chinese goal of ending Vietnam's presence in Cambodia remains. In our view, Thailand, Malaysia, and Indonesia

are all likely to buy more military equipment from China and the other ASEAN states may follow their lead. Driven by low Chinese prices and low political visibility, most sales will continue to involve small arms, ammunition and spare parts.

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In our view, Thailand may decide to acquire major equipment from China -- such as tanks or aircraft -- by the end of the decade, at least in part because of budgetary limitations that preclude large buys of expensive Western equipment. Beijing is trying to improve the prospects for such sales by giving Bangkok small numbers of major arms.

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has offered Thailand 40 F-7 aircraft and several dozen T-59 tanks at concessionary prices. Some Thai military officers have expressed interest in the F-7 as a second-line fighter that could support the limited number of US F-16s Bangkok can afford. The Thais also asked US officials recently for technical data on the T-59 -- indicating some interest in the tank.

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A Thai purchase of a major weapons system would set a precedent which could make it easier for other ASEAN states to buy Chinese arms; however, we believe that Thailand is unlikely to buy major end items in the next year. Bangkok, in our judgment, does not want to irritate other ASEAN states and invite Vietnamese attack by appearing too close to China. Moreover, a Thai team which test-flew the F-7 in August found the aircraft to be obsolescent and recommended that none be bought,

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We believe that political sensitivity to buying arms from a nation which once tried to subvert several Southeast Asian governments and which has the potential to dominate the region in the long run will constrain the growth of purchases of Chinese arms by most ASEAN governments. The ASEAN states' preference for higher quality and better performing Western munitions and arms will also limit their interest in Chinese arms.

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Implications for the US

We believe there are several positive implications for the United States in the developing military cooperation between the ASEAN states and China:

- o The ASEAN states will likely become less concerned over US military ties to China because of their own, similar, ties. This should help temper the worries of some ASEAN officials that China will try to use US military aid to gain dominance in the region.
- o The budget conscious ASEAN states also gain a source of low cost ammunition and other arms. This supports the US interest in strengthening area states. It also helps them sustain the larger military forces they have created since Vietnam invaded Cambodia, despite strained finances.

- o If an ASEAN state acquires large Chinese arms, especially aircraft, it may seek US aid to upgrade the equipment, as Pakistan is trying to do with F-7s. [redacted]

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In our view, the ASEAN states have a sufficiently jaundiced view of China to avoid allowing military ties to lead to dependence on Beijing. In addition, they are likely to limit the presence and activities of any Chinese military personnel in their countries, in our judgment. None of the ASEAN states is willing to rely on China as its primary security guarantor, and they will remain interested in close ties with the United States as their best defense against Soviet or Vietnamese pressure. Chinese sales of new equipment and spare parts, however, may displace or delay a few US sales. [redacted]

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